

Message Text

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AMEMBASSY YAOUNDE

C O N F I D E N T I A L SECTION 1 OF 2 BANGUI 0646

E.O.11652: GDS

TAGS: ECON, PINT, CT

SUBJ: GOCAE FISCAL PROBLEMS

SUMMARY: BY ALL OBJECTIVE CRITERIA, THE CAE SHOULD BE ON THE BRINK OF FISCAL DISASTER. THE GOVERNMENT EXHORTS DAILY AGAINST EMBEZZLEMENT AND TAX EVASION; GOVERNMENTAL SALARIES ARE IN ARREARS; AND CREDITORS ARE UNPAID. HOWEVER, OLD HANDS TELL US THAT THE SITUATION IS ONLY SLIGHTLY WORSE THAN IN THE PAST, WHEN THE GOVERNMENT HAS ALWAYS BEEN ABLE TO COLLECT ENOUGH TO MAKE TOKEN PAYMENTS TO STAVE OFF COMPLETE BANKRUPTCY. END SUMMARY.

1. EVER SINCE SHORTLY BEFORE THE CORONATION, THERE HAS BEEN A STREAM OF DECREES AND HARANGUES DESIGNED TO IMPROVE TAX COLLECTIONS AND ACCOUNTABILITY IN THE GOVERNMENT -- A SURE SIGN THAT MONEY IS SHORT. CIVIL SERVANTS WHO COLLECT MONEY MUST DEPOSIT IT WITH THE TREASURY BY 6 P.M. EVERY DAY, AND THE TREASURY MUST IN TURN DEPOSIT IT WITH THE REGIONAL CENTRAL BANK. THE FINANCE MINISTER HAS TOURED PROVINCIAL CAPITALS TO SQUEEZE MONEY OUT OF MERCHANTS BY FINES FOR IMPROPER PRACTICES, AND OTHER MINISTERS
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HAVE BEEN MAKING SURPRISE VISITS TO GOVERNMENT OFFICES WHICH TAKE IN MONEY. FOREIGN MERCHANTS AND BANKERS WERE ATTACKED ON THE RADIO FOR RACIST ATTITUDES. CIVIL SERVANTS ARE WARNED DAILY OF SERIOUS PENALTIES FOR EMBEZZLEMENT, AND REPORTEDLY THERE HAS BEEN A SHAKE-UP IN THE TREASURY.

2. CIVIL SERVANTS IN BANGUI HAVE BEEN RECEIVING THEIR SALARIES A MONTH LATE, AND THOSE IN THE PROVINCES ARE EVEN FARTHER BEHIND. UNIVERSITY SCHOLARSHIPS FOR THIS ACADEMIC YEAR WENT UNPAID UNTIL JUST RECENTLY. MINISTERS WERE TOLD, ACCORDING TO ONE RUMOR, THAT THEY WOULD BE DISMISSED IF THEY ASKED FOR THEIR SALARIES. BANKERS REPORT A SLOWDOWN IN COMMERCE AS A RESULT OF THE DELAYED SALARY PAYMENTS.

3. ALTHOUGH THERE IS REPORTEDLY A DRAFT BUDGET FOR 1978 SHOWING A \$20 MILLION DEFICIT, THIS STILL HAS NOT BEEN APPROVED BY THE EMPEROR, AND EVEN IF IT IS APPROVED IT MAY BEAR LITTLE RELATION TO EXPENDITURES. BUDGETS ARE PROJECTS OF WHAT THE GOVERNMENT THINKS IT WILL SPEND RATHER THAN TOOLS FOR MANAGING ACTUAL SPENDING. THE GOVERNMENT LIVES FROM HAND TO MOUTH. THE MONTHLY GOAL IS TO COLLECT THE \$3-4 MILLION NECESSARY TO PAY THE 17,000 CIVIL SERVANTS. TO DO THIS, THE GOVERNMENT TAPS ALL AVAILABLE RESOURCES. AS A RESULT, THERE ARE FEW SUPPOSEDLY AUTONOMOUS ACCOUNTS UNTOUCHED. THE CAISSE DE STABILISATION, WHERE THE GOVERNMENT'S SHARE OF COFFEE REVENUES IS HELD, WAS EMPTIED BY THE END OF 1977, AND WE UNDERSTAND THAT CUSTOMS OFFICIALS NO LONGER ACCEPT POSTAL MONEY ORDERS BECAUSE THEY KNOW THERE IS NO MONEY IN THE POST OFFICE TO REDEEM THEM.

4. THE \$25-30 MILLION SPENT ON THE CORONATION CERTAINLY CONTRIBUTED TO THE CAE'S PROBLEMS, BOTH DIRECTLY AND INDIRECTLY.
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COFFERS OF ALL ELEMENTS OF THE GOVERNMENT WERE RAIDED TO BRING THE EVENT OFF ON SCHEDULE AS THE EMPEROR WANTED IT. AS A RESULT, LITTLE WAS LEFT FOR ORDINARY OPERATIONS OF THE GOVERNMENT, AND SOME OF THE MONEY RECEIVED SINCE THE CORONATION HAS GONE TO PAY DEBTS INCURRED FOR IT. (SEE BANGUI 0011.)

5. HOWEVER, A FRENCH DIPLOMAT WHO RECENTLY REVIEWED HIS EMBASSY'S REPORTING FOR THE PAST 12 YEARS TELLS US THAT THE EMBASSY HAS CONSISTENTLY SAID THAT THE FISCAL SITUATION WAS DISASTROUS AND COULD NOT CONTINUE. BUT CONTINUE IT HAS. ACCORDING TO ONE LONG-TERM RESIDENT IN THE BANKING SECTOR, THE DIFFERENCE IS ONLY THAT THE SALARIES ARE NOW DELAYED AN AVERAGE OF A FULL MONTH INSTEAD OF A FEW WEEKS.

6. SO FAR THE GOVERNMENT HAS STAYED OFF DISASTER WITH THE TIMELY ARRIVAL OF FRENCH AND OTHER AID. THE FRENCH MADE AN AID PAYMENT OF \$2.4 MILLION IN LATE DECEMBER, AND THE GOCAE TAPPED THE IMF FOR ANOTHER \$2.4 MILLION IN JANUARY. AN OPEC PAYMENT OF SLIGHTLY LESS THAN \$1 MILLION REPORTEDLY ENABLED THE GOCAE TO MAKE SCHOLARSHIP PAYMENTS IN EARLY MARCH.

7. THE CIVIL SERVANTS ARE BY NOW ACCUSTOMED TO NOT BEING

PAID ON TIME. MANY IN BANGUI HAVE OUTSIDE SOURCES OF INCOME (TAXI SERVICES, SMALL SHOPS RUN BY THEIR WIVES, ETC.), AND THOSE IN THE MOST REMOTE AREAS OF THE INTERIOR, WHO ARE PAID LAST IF AT ALL, HAVE READY ACCESS TO FARMLAND. THE GOVERNMENT CONSCIOUSLY GIVES PRIORITY TO THE GROUPS MOST LIKELY TO CAUSE TROUBLE. THUS THE MILITARY AND THE POLICE ARE PAID FIRST, FOLLOWED BY THE SENIOR, FOREIGN-EDUCATED CIVIL SERVANTS. THE STUDENTS ALSO RATE SOME PRIORITY, WHICH IS PROBABLY WHY THEY FINALLY GOT THEIR SCHOLARSHIPS. WHEN A GROUP NOT ON THE PRIORITY LIST BEGINS TO BECOME RESTLESS, THERE IS USUALLY AT LEAST A TOKEN PAYMENT. THUS, THE SYSTEM SEEMS TO BE ABLE TO ABSORB CONSIDERABLE DELINQUENCY IN SALARY PAYMENTS WITHOUT SERIOUS POLITICAL REPERCUSSIONS.

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8. FISCAL MISMANAGEMENT OF COURSE ALSO REDUCES THE GOCAE'S ABILITY TO TAP FOREIGN RESOURCES. IT CANNOT COME UP WITH THE MONEY NECESSARY FOR ITS CONTRIBUTION TO PROJECTS FINANCED BY THE EEC, FOR EXAMPLE, AND THIS WILL MEAN CUTTING BACK THE SIZE OF THOSE PROJECTS. EVEN THOSE GOVERNMENTS WHICH DO NOT PRESS THE GOCAE FOR REPAYMENT WILL BE RELUCTANT TO COME FORWARD

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ACTION AF-10

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C O N F I D E N T I A L SECTION 2 OF 2 BANGUI 0646

WITH NEW LOANS. THE SHORTAGE OF PETROLEUM PRODUCTS AS A RESULT OF LOW WATER IN THE RIVER WILL BE AGGRAVATED BY THE INABILITY OF THE GOVERNMENT TO GET CREDIT FROM OIL COMPANIES FOR EMERGENCY PURCHASES FOR SHIPMENT THROUGH DOUALA, AND THE GOVERNMENT IS REPORTEDLY HAVING TROUBLE GETTING FERTILIZER FOR THIS YEAR'S COTTON CROP.

9. FRANCE, WHICH CONTINUES TO BE THE MAJOR FOREIGN DONOR, HAS IN THE PAST ALWAYS COME THROUGH WITH ENOUGH MONEY TO KEEP THE GOVERNMENT OPERATING, EVEN IF IT HAS NOT ALWAYS GIVEN AS MUCH AS THE GOVERNMENT HAS ASKED. FRENCH AID, COMBINED WITH THE RECEIPTS WHICH THE GOVERNMENT WILL GET FROM THIS YEAR'S COFFEE CROP, NOW BEING HARVESTED, AND OTHER EXPORTS, PARTICULARLY DIAMONDS AND WOOD, WILL PROBABLY PROVIDE ENOUGH TO MEET AT LEAST MINIMUM PAYROLL REQUIREMENTS.

10. POLITICALLY BOKASSA HAS ALREADY USED HIS ELEVATION TO EMPEROR AND CONSEQUENT RELINQUISHMENT OF THE ROLE OF HEAD OF GOVERNMENT TO TRY TO PUT SOME DISTANCE BETWEEN HIMSELF AND THE GOVERNMENT ON FISCAL QUESTIONS. HE HAS CRITICIZED THE GOVERNMENT FOR ITS FISCAL MISMANAGEMENT, SAYING IN ESSENCE, CONFIDENTIAL

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"THE MONEY IS THERE AND IT'S YOUR FAULT THAT YOU DON'T HAVE IT." THROUGH THE POLITICAL BUREAU OF THE POLITICAL PARTY, HE HAS ALREADY SET THE STAGE FOR HOLDING OFFICIALS OF STATE CORPORATIONS RESPONSIBLE FOR IRREGULARITIES THERE. OF COURSE, THIS IS ALL WINDOW DRESSING, BUT IT MAY HELP SOME-WHAT IN EXPLAINING PROBLEMS TO THE PEOPLE AT LARGE.

11. COMMENT. THE FISCAL CRISIS WILL AGGRAVATE OUR PROBLEMS IN GETTING THE CAE TO REPAY LOANS, COMPENSATE FOR NATIONALIZATIONS AND MAKE CONTRIBUTIONS TO AID AND PEACE CORPS PROJECTS. AS NOTED BANGUI 0624, IT IS UNREALISTIC TO EXPECT ANYTHING MORE THAN TOKEN PAYMENTS ON THE EXPORT-IMPORT BANK GUARANTEED LOAN FOR THE GT&E MICROWAVE SYSTEM. NOR IS THE GOCAE LIKELY TO COME UP WITH CASH TO COMPENSATE TEXACO AND MOBIL FOR THE ASSETS TAKEN OVER IN 1974. FINALLY, IT WILL MEAN DIMINISHED SUPPORT FOR AID PROJECTS WHERE THIS MEANS AN OUTLAY OF CASH -- E.G. FOR PER DIEM PAYMENTS TO GOCAE COUNTERPARTS SO THEY CAN TRAVEL OR FOR PURCHASE GASOLINE. THERE IS LITTLE WE CAN DO TO CHANGE THE SITUATION. HOWEVER, WE HAVE DESIGNED OUR AID AND PEACE CORPS PROJECTS TO RELY AS LITTLE AS POSSIBLE ON GOVERNMENT SUPPORT, AND WE HAVE NEVER PREDICTED RAPID PROGRESS ON REPAYMENT OF THE GT&E LOAN OR COMPENSATION OF THE OIL COMPANIES.
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